

INFORMATION REPORT
CONFIDENTIAL

COUNTRY Hungary/Austria/Germany

SUBJECT Hungarian Textile Industry and Trade Relations
with Austria and Germany

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1. The Hungarian textile industry, unable legally to secure needles for spinning and weaving, uses the following firms and individuals in the Austrian market who by-pass Austro-Hungarian trade agreements in furnishing these supplies:

Mrs. Holländer, a dealer in textile industry machines, Vienna
Fritz Hoffmann, Hiplingerstrasse, Vienna
Rogner, Pachmüllergasse, Vienna
Wunderlich Works, Vienna (USIA-owned)

2. Béla Szilágyi, in charge of securing textile needles for the whole Hungarian industry, deals directly with the larger firms in Germany such as Grotz and Beckert, at Bblingen and Schwabach; Anton Haase, at Hohenstein-Erzthal; and Ebersbach and Kuhn at Chemnitz. If the Grotz and Beckert firm alone were to stop delivery of needles to Hungary, the capacity of Hungarian combing and knitting mills would be cut in half.

3. The Soviet-owned Waterländische Kamparnspinnerei & Weberei, largest worsted yarn factory in Hungary, is said to have ordered from Austria the following combing needles, the quantity reportedly sufficient to supply the factory's needs for the second half of 1950:

2,000,000	25 x 13/25 x 1/2"	(?) Needles for rotating cylinder combing machine
2,000,000	26 x 13/26 x 1/2"	" " " " " "
1,000,000	27 x 11/27 x 7/16"	" " " " " "
10,000,000	28 x 11/28 x 7/16"	" " " " " "
10,000,000	29 x 11/29 x 7/16"	" " " " " "
500,000	26 x 16/26 x 5/8"	Needles for stationary combs

4. The Soviet-owned UAG Textile Factory requested the following ball bearings from Austria:

40 pieces, type 6202
24 " " 1202
40 " " R/7 bearings

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5. Because of the dollar shortage of the Hungarian National Bank and the Soviet enterprises in Hungary, Austro-Hungarian trade controls and customs on considerable quantities of raw materials, are often by-passed.
- Hungarian yarns and similar products, shipped to Austria as "transit" goods and hence exempt from Austrian duty, are turned over to Juschweschtrans, Vienna, a Soviet firm, which stores and later sells them on the Austrian market. Such extra-legal sales are handled by the Hungarian Kálforgalmai N.V. through the Hungarian National Bank. A man named Vertes, in charge of extra-legal transactions with the Kálkereskedelmi N.V., is in daily telephone contact with his Vienna representative. The Hungarian National Bank, through an intermediary, Jend Lőrinczi, Budapest, handles its schilling account through the Soviet Army Bank, Trautner Hof, Vienna. In these transactions the exchange rate is 1 schilling per 1 forint rather than the authorized 0.84 schilling per 1 forint. The turnover is said to amount to several million schillings per month.
 - When the transaction is a Hungarian purchase from an Austrian firm, the merchandise is bought by the Soviet military bank or another USIA front organization which, as an Austrian firm, is permitted to make purchases for schillings without clearance by the Austrian National Bank. The merchandise is turned over to Juschweschtrans for shipment to Hungary.
 - Juggling financial records is said to be a common practice in all Soviet-owned companies. Soviet authorities are said to have ordered one Hungarian textile firm to prepare two separate balance sheets, one for the Soviets showing the real financial condition of the firm and the other, altered to show losses or little profit, for the Hungarian authorities. Another firm, the Sopron Worsted Spinning Mill, reportedly avoided taxes on 10,000,000-forint profits by crediting a large Soviet-owned customer with that amount to cover fictional "faulty" goods delivered to the firm. The latter credited several Soviet-controlled commercial outlets, which in turn fixed their books to absorb all profits.
 - Policies require that every shipment destined for the USSR must measure up to certain prescribed standards before the merchandise is accepted by the Soviet holding company. (Often only defective products reach the Hungarian market.) The holding company claims compensation under fantastic pretexts of deviations from prescribed standards. This is said to be one means of transferring profits to the USSR. Prices of merchandise, gauged to serve this purpose, are credited by the Soviet holding company to the Soviet-owned firms at about 30% of factory sales prices to Hungarian distributors. Until June 1950 only enough merchandise was shipped to the USSR to cover the invisible transfer of profits made in Hungary; recently, however, exports have increased to the point that all USI-owned textile mills are shipping their entire output to the USSR.
6. Organizations and personalities in Hungary concerned with the textile industry and trade include:
- The USI, the Soviet holding company in Hungary and the counterpart of the Austrian USIA, has its headquarters in Budapest, Benczur utca 17. The key personnel of the branch which functions as the holding company for Soviet-owned textile mills, are:

Director: Fedor Alexeevich Taraskin

Deputy Director: Konstantin Lipatov

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Chief, Commercial Section: Konstantin Lipatov

Chief, Engineering Section: Riazov (fnu), formerly manager of the Salzmann Textile Mill

Deputy and Chief Engineer: Lev Nikolaevich Vodzhinsky

Chief, Personnel Section: Osipov (fnu)

Chief, Planning Section: Lipatova (fnu) (wife of Lipatov, above)

Chief, Export Shipments to Russia: Khristalova (fnu)

b. The Ministry of Light Industry:

Research Institute for the Textile Industry: Jointly headed by Pal Földes, a fanatical Communist, and Gyozo Dischka, a Conservative.

Chief, Woolen Industry Section: Imre Nagy

Chief, Textile Industry Department: László Veg, long time-Communist

Chief, Finance Department: István Szabo, long-time Communist

c. The Vaterländische Kammgarnspinnerei & Weberei:

Soviet managers: Somov (fnu)
Filimonov (fnu)

Key technical personnel, such as Ferenc Tobisch and Antal Monostori, were retained in their positions despite their anti-Communist beliefs.

7. Persons in Austria who figure prominently in textile trade with Hungary include:

- a. Bernhardt Maniow, a Rumanian national who left Rumania at the end of World War II, worked for Soviet authorities in Budapest until 1947, allegedly fled Hungary two years ago, and established himself in Vienna as a representative of Jool A.G. (sic). He has continued to deal with firms under Soviet ownership and travels freely in the Soviet Zone of Austria. It is believed that Maniow is an anti-Communist but, at the same time, a business man and an opportunist.
- b. Pfabe (fnu), Director, Vöslau Worsted Spinning Mill, is definitely an anti-Communist. His company made restitution payments to Hungary amounting to 70,000 kg of wools and 340,000.
- c. Singer (fnu), General Manager of the Letex firm, Vienna, is a fanatical Communist. Outwardly a completely Austrian business, his firm is actually under full USIA control.

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